

## Message Text

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43

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 ISO-00 AEC-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00

FPC-01 H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-01 PA-01 PRS-01 USIA-06 /116 W

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R 151313Z JAN 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1950

INFO AMEMBASSY ALGIERS

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

KUTALS/AMEMBASSY LAGOS 0102

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

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BEIRUT PASS BAGHDAD

E.O. 11652: N/A

TAGS: ENRG KU

SUBJECT: KUWAIT OIL DEVELOPMENTS; POSSIBLE PRODUCTION DECREASE

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SUMMARY: SENIOR GOK OIL OFFICIAL IN LOCAL NEWSPAPER INTERVIEW HAS STATED GOK INTENDS REDUCE PRODUCTION TO 2 MILLION BPD LEVEL OR 20 PERCENT BELOW 1975 AVERAGE. MEANWHILE GOK IN MIDST OF TALKS WITH SHELL FOR SALE OF SUBSTANTIAL AMOUNT PARTICIPATION CRUDE. ACCORDING PRESS GOK ABOUT READY SIGN PARTICIPATION AGREEMENT WITH ARABIAN OIL COMPANY AND NEW TAX AGREEMENT WITH AMINOIL. END SUMMARY

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1. MAHMOUD ADESANI, ACTING UNDERSECRETARY MINISTRY FINANCE AND OIL IN A RECENT INTERVIEW WITH LOCAL DAILY AL-QABAS HAS STATED GOK INTENDS REDUCE CRUDE OIL PRODUCTION IN 1976 TO 2 MILLION BPD. THIS WOULD REPRESENT DECREASE OF 20 PERCENT FROM 1974 DAILY AVERAGE OF SLIGHTLY MORE THAN 2.5 MILLION BPD. ADESANI CITED LOCAL CONSERVATION REQUIREMENTS AND PRICE MAINTENANCE AS REASONS. PAPER QUOTED HIM AS SAYING "THE MOVE IS ALSO DESIGNED TO AVERT SURPLUS OIL ON WORLD MARKETS SINCE OIL CONSUMING NATIONS HAVE LOWERED THEIR IMPORTS AS A RESULT OF PRICE HIKES."

2. PRODUCTION HAD ALREADY SLIPPED DURING 1974 AND RECENTLY PUBLISHED STATISTICS SHOWED FOLLOWING:

COMPANY	TOTAL PRODUCTION	AVERAGE PER DAY	PERCENT
		CHANGE 1974 VS 73	

KUWAIT OIL CO.	830,590,895 BARRELS	2,275,592	- 17.34PCT
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ARABIAN OIL CO.	69,180,406 BARRELS	189,535	- 4.66 PCT
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(KUWAIT SHARE)

AMINOIL	30,032,618 BARRELS	82,281	- 16.35 PCT
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TOTAL	929,803,910 BARRELS	2,547,408	- 18.9 PCT
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3. IN OTHER PETROLEUM DEVELOPMENTS PRESS MADE PUBLIC FACT THAT SHELL DELEGATION HERE TO NEGOTIATE MAJOR PURCHASE AGREEMENT DIRECTLY WITH GOK. PRESS NOTING RECENT TERMINATION SHELL AGREEMENT WITH GULF, THINKS IT LIKELY GOK WILL ENTER INTO LONG TERM AGREEMENT WITH SHELL FOR SALE PARTICIPATION CRUDE.

4. PRESS ALSO REPORTED THAT PARTICIPATION AGREEMENT IS NEAR LIMITED OFFICIAL USE

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WITH JAPANESE-OWNED ARABIAN OIL COMPANY. GOK SHARES AOC CONCESSION WITH SAUDI ARABIA AND BOTH GOK AND SAG ALREADY OWN 10 PERCENT EACH OF AOC. NOT CLEAR WHEN OR ON WHAT TERMS SAG/AOC PARTICIPATION AGREEMENT WILL BE REACHED, BUT GOK APPARENTLY READY TO SIGN SEPARATE AGREEMENT WITH AOC ALONG LINES OF KOC PARTICIPATION AGREEMENT. AS REPORTED EARLIER THERE WILL NOT BE PARTICIPATION AGREEMENT WITH AMINOIL. INSTEAD AN 85 PERCENT TAX ARRANGEMENT WILL BECOME EFFECTIVE. ACCORDING TO KUWAIT PRESS

AOC AND AMINOIL ACCORDS WILL BOTH BE FORMALIZED SOON AFTER MINISTER  
FINANCE AND OIL ATEEQI RETURNS FROM EASTERN EUROPE.  
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5. COMMENT: ALTHOUGH ADESANI'S REMARKS RE PRODUCTION CUTS  
CANNOT BE IGNORED, WE SOMEWHAT SKEPTICAL THAT PRODUCTION WILL  
BE CUT TO 2 MILLION BPD OVERALL. WE KNOW THAT SOME INFLUENTIAL  
GOK POLICY MAKERS FAVOR INCREASING PRODUCTION, LET ALONE CUTTING  
PRODUCTION BY 20 PERCENT. ADESANI STATEMENT TENDS CONTRADICT  
RECENT REMARKS BY ATEEQI. SUCH A CUT ALSO SEEMS TO CONTRADICT  
APPARENT EFFORT TO SELL MORE CRUDE DIRECTLY BY GOK, PARTICULARLY  
TO SHELL. NEVERTHELESS, SINCE SUBSTANTIAL WORLD-WIDE SURPLUS  
IS LIKELY IN NEAR FUTURE, POSSIBILITY OF CUT IN KUWAIT PRODUCTION  
CANNOT BE DISMISSED. ON BALANCE WE THINK WAIT-AND-SEE APPROACH  
CALLED FOR.  
STOLTZFUS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM PRODUCTION, ECONOMIC CONDITIONS  
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**Copy:** SINGLE  
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**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition History:** n/a  
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**Disposition Remarks:**  
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**To:** STATE  
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